

# **EXHIBIT 18**

**C-08010**

***ADAMS\_EDWARD\_20150827***

***8/27/2015***

**Full-size Transcript**

**Prepared by:**

C-08010

Tuesday, September 15, 2015

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2  
3 In The Matter of: )

4 ) File No. C-08091-A

5 SCIO DIAMOND TECHNOLOGY CORPORATION )

6  
7 WITNESS: Edward Adams

8 PAGES: 1 through 307

9 PLACE: Securities and Exchange Commission

10 175 West Jackson Boulevard

11 Chicago, Illinois

12 DATE: Thursday, August 27, 2015

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14 The above-entitled matter came on for hearing,  
15 pursuant to notice, at 8:59 a.m.

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24 Diversified Reporting Services, Inc.

25 (202) 467-9200

1           Q     Okay. Why don't you explain to me or walk me  
2 through the events leading up to the March 2011 asset  
3 purchase agreements between Apollo Diamond, Apollo Gemstone,  
4 and Scio Diamond Corporation.

5           A     When you say walk you through the events --

6           Q     What was the state of Apollo Diamond and Apollo  
7 Gemstone at this point?

8           A     My father-in-law had been very ill beginning in  
9 2010. He had an issue with his liver, which miraculously he  
10 survived. And the company, we had -- when I say "we," all  
11 of us that were a part of Apollo and Adams Monohan, because  
12 we were working so closely with the company, had spent a  
13 huge amount of effort trying to bring this Howard University  
14 transaction to fruition. We were also working on some other  
15 things.

16                   I think at one point in 2010 we talked extensively  
17 to Tiffany. That could have been earlier, but I think it  
18 was still ongoing in 2010; Tiffany, the jeweler. We had  
19 talked to somebody who had a public company with \$30 million  
20 in cash. I don't remember if that was middle of 2010 or  
21 late. And we had had ongoing conversations, because we  
22 believed we got the technology -- the company believed it  
23 had the technology to the point where it was commercially  
24 viable, and it just needed an infusion of cash to build out  
25 the manufacturing facility and scale it up, which was the

1 whole, sort of, premise beginning in 2001 for what the  
2 company was seeking to do.

3 But my father-in-law was ill. My brother-in-law,  
4 I think, resigned in 2010 because he had gone a long time  
5 without being paid and was frustrated with that situation.  
6 And I think he was just -- I can't speak for him, but I  
7 think he was tired of dealing with it from that perspective,  
8 especially when Howard cratered.

9 So in -- through a period of time, January,  
10 February, even -- I think it was January, February, we  
11 talked about options for the company. We talked to Deutsche  
12 Bank. We tried to -- we had a Deutsche Bank person -- a  
13 former Deutsche Bank person who had specialized in selling  
14 middle market -- specialized in middle market mergers and  
15 acquisitions; so middle-sized companies. He was out  
16 actively trying to sell the assets or the company, Apollo  
17 and Apollo Diamond Gemstone.

18 Michael and I were talking to a variety of large  
19 players about a potential investment in the company, and/or  
20 a sale of the company's technology or assets. And we were,  
21 frankly, getting nowhere. You know, there was -- I mean,  
22 you may remember -- I guess it depends on your view. But  
23 2011 was, I think, still a pretty depressed market state,  
24 and so I think companies were still very leery about doing  
25 anything. And we weren't -- we weren't really getting any

1 significant traction. We had a lot of conversations, but we  
2 weren't getting any traction.

3 So now we started talking about ideas, you know,  
4 and wanting to do -- we didn't want -- I mean, one option we  
5 explored was bankruptcy. You know, should we just bankrupt  
6 the company? Should the company file bankruptcy? Should  
7 that be the advice that we give the company? And we talked  
8 about -- when I say "we," I mean Bob and I and Michael and  
9 Bob and others who were attorneys that we -- so I want to be  
10 a little careful because I don't want to break any privilege  
11 here.

12 But we had engaged Paul Hastings, and they had  
13 been engaged over a period of time. They were involved in  
14 some of these discussions and attorneys there. And we  
15 talked about, you know, the strategy for what the company --  
16 what would bankruptcy mean. And the general view was that  
17 bankruptcy would -- it could open the company up to someone  
18 buying the assets, and the shareholders getting very little,  
19 and -- particularly when you considered that there were law  
20 firms that were owed a significant amount of money like  
21 ours. There were people like us that were secured  
22 creditors, meaning Bob, Bryant and myself. And so that  
23 didn't seem appealing because that would have wiped out the  
24 shareholders.

25 Q So other than the secured creditors and your law

1 MR. SHANK: Yes.

2 THE WITNESS: I don't know what other people at  
3 private Scio knew, so I can't really testify to that. I'm  
4 sorry.

5 MR. SHANK: What -- never mind. Go ahead.

6 MR. KOPECKY: I am still late to this game. But  
7 this is private Scio's. They didn't raise any money -- you  
8 didn't raise any money with this?

9 THE WITNESS: No. Well, I don't know.

10 MR. KOPECKY: "You" being private Scio didn't.

11 THE WITNESS: Yeah, I mean, we changed the  
12 document or it got changed, because later this other  
13 attorney came in -- I won't go there.

14 BY MR. WISNIEWSKI:

15 Q When was this document changed? You said this  
16 document was changed -- or this was taken out. When was  
17 this taken out?

18 A I think in 2011 or '12. I don't really remember.

19 Q This bullet point was removed in 2010?

20 A No, not 2010. I think you said 2010. I'm sorry  
21 if you didn't. I think it was in 2012, I think. I think it  
22 was altered, the way this was worded, because other  
23 attorneys were engaged, and they had a different  
24 perspective.

25 Q So in --

1 MR. SIKORA: Can you let him finish?

2 BY MR. WISNIEWSKI:

3 Q I want to make sure I don't invade the privilege.

4 So this bullet point was taken out of this PPM  
5 sometime in 2012?

6 A No. Let me be clear, okay. The PPM was  
7 restructured and changed, my recollection, in 2012, because  
8 what ended up happening was public -- so can I use that  
9 phrase?

10 Q Sure.

11 A Public Scio now had new securities and counsel,  
12 period, and they made alterations to it. And I wasn't -- I  
13 had nothing to do with those documents anymore, other than  
14 looking at them. And I was merely the chairman of public  
15 Scio.

16 Q Okay. But Exhibit 13, as it's written here, this  
17 was distributed to individuals and potential investors,  
18 correct?

19 A I don't remember if this exact document was or  
20 there were addendums to it that were included along with  
21 this document. I don't remember because -- I am trying to  
22 think, did I send it to anyone. I don't remember that I --  
23 I might have sent it to people that were interested, but I  
24 don't remember if it was this document or another one that  
25 included addendums or --



1 MR. WISNIEWSKI: Off the record at 5:24.

2 (Whereupon, a recess was had.)

3 MR. WISNIEWSKI: Back on the record at 5:25.

4 Read back my last question.

5 (Whereupon, the record was read by the  
6 reporter.)

7 MR. SHANK: You started to answer about your  
8 communications with Mr. Zouvas.

9 MR. WISNIEWSKI: You said Luke Zouvas said, I do  
10 these all the time. And that's when you were cut off.

11 MR. SHANK: You said "two-step transaction," and  
12 that's when we stopped.

13 THE WITNESS: Okay. Thank you.

14 MR. SHANK: What was the two-step transaction?

15 THE WITNESS: So the two-step -- I think what he  
16 was referring to -- I never heard of this -- was you would  
17 become -- you would become a director, an owner, a  
18 controlling owner of Crossbow, and then Crossbow would  
19 acquire the assets of private Scio. So that's the two  
20 steps. You have to become an owner, a controlling owner of  
21 it, and then you can direct it to acquire the assets of  
22 Apollo and Gemstone. I think that's what he meant.

23 MR. HAYES: How were you going to become a  
24 controlling owner of Crossbow?

25 THE WITNESS: By buying shares from someone who

1 was a shareholder of Crossbow, if I remember correctly.

2 BY MR. WISNIEWSKI:

3 Q And did you do that?

4 A Yeah, Mr. Zouvas -- so then what ended up  
5 happening was, you know, he started doing all the  
6 documentation to do that. This is where I think it might  
7 become a little more privileged. And I think it is  
8 privileged, probably.

9 Q Let's stay away from that.

10 So did you purchase shares from somebody at  
11 Crossbow?

12 A Yes.

13 Q Who was that?

14 A I don't remember.

15 Q How many shares did you purchase?

16 A I think it was around 1,700,000 or 1,900,000. I  
17 don't remember the exact number.

18 Q Okay.

19 MR. HAYES: That was sufficient to give you  
20 control over Crossbow?

21 THE WITNESS: That's what he represented.

22 MR. HAYES: Okay. How much did you pay for those  
23 shares?

24 THE WITNESS: I don't remember. 200 some  
25 thousand, I think.

**C-08091**

***ADAMS\_EDWARD\_20151008***

***10/8/2015 9:00 AM***

**Full-size Transcript**

**Prepared by:**

C-08091

Thursday, October 29, 2015

1 THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

2  
3 IN THE MATTER OF:

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4 ) File No. C-08091-A

5 SCIO DIAMOND TECHNOLOGY

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6 CORPORATION

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7  
8 WITNESS: Edward Adams

9 PAGES: 308 through 562

10 PLACE: Securities and Exchange Commission

11 175 West Jackson Boulevard, Suite 900

12 Chicago, Illinois 60604

13 DATE: Thursday, October 8, 2015

14  
15 The above-entitled matter came on for hearing,  
16 pursuant to notice at 9:00 a.m.

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24 Diversified Reporting Services, Inc.

25 (202) 467 9200

1 out who practically decided how the allocation should  
2 go.

3 MR. KOPECKY: Can I also interpose an  
4 objection, because the exhibit was covered at the last  
5 testimony and he provided additional reasons to make it  
6 inaccurate. I object to this actually constituting the  
7 stock ledger. He testified at the prior testimony as  
8 to reasons why it is not accurate. Three additional  
9 people who had shares.

10 BY MR. SHANK

11 Q My basic question was obviously the  
12 Board -- you testified the Board ultimately approved  
13 and decided who got what shares?

14 A Right.

15 Q And I was asking who was part of the  
16 decision making to figure out how to allocate the  
17 shares for the Board's ultimate approval?

18 A I mean the backdrop -- I believe it was  
19 ultimately those three individuals and then it was  
20 with consultation from Bob Linares, because we were  
21 trying to figure out -- look, the objective here was  
22 to figure out a way to get the shareholders more  
23 shares than they had in the fully diluted basis in  
24 Apollo and Apollo Diamond Gemstone, which we did.  
25 You know, someone has to form an entity. I would

1 have been thrilled if someone else was going to do  
2 all this work for free and do all the -- but nobody  
3 volunteered. There were no hands that went up.  
4 When I tried to ask other people, a lot of people --  
5 I remember one discussion the guy said "Just forget  
6 it. It doesn't always work out. Not every deal  
7 works out. Just leave it." Maybe that was good  
8 advice, but I kept on it.

9 I thought, no, there is a way, that this is  
10 a way for people. And ultimately it came down to us  
11 enlisting the help -- I mean I can't run a business  
12 like Lancia can. That was his -- that was what he had  
13 done. He had brung some other businesses here. I  
14 never met the man in my life until probably January of  
15 2011. And he was referred to me by one of the people  
16 at Focus Capital. And as a result of that, I want to  
17 say Mike met him and Bob Linares met him and we were  
18 impressed with him. This guy at Focus spoke very  
19 highly about him.

20 He had sold a business that Lancia  
21 was the CEO of for a lot of money and it had been a  
22 successful business. And so we kind of -- we said to  
23 Joe, you know, we have an idea here which would allow  
24 the shareholders to get a tax loss according to Paul  
25 Hastings. And we'll allow the company to kind of

1       reboot and it will be less dilutive than if we just  
2       keep going the way we are where there is millions of  
3       warrants out and there's preferred shares and there's  
4       debt.

5               So -- and I remember one of things Paul  
6       Hastings, an attorney at Paul Hastings, and I'm  
7       never going to say his name.

8               MR. SHANK: Hang on. You might be getting  
9       into privileged materials. So please don't testify  
10      about what the attorneys at Paul Hastings are advising  
11      you on.

12              THE WITNESS: Okay. I'm sorry. Thank you.

13              MR. SIKORA: We accept your objection.

14              BY MR. WISNIEWSKI

15              Q     Who is Christopher Mum?

16              A     An associate of the law firm of Adams  
17      Monahan.

18              Q     And he was issued looks like 125,000  
19      shares restricted in consideration of future  
20      services?

21              A     I mean I have to look at the Board  
22      minutes, but that seems right here based on what  
23      you've said here.

24              MR. WISNIEWSKI: I'm marking this exhibit,  
25      Commission Exhibit 54.

1           A     Of Apollo Diamond Inc., yes.

2           Q     So why at that time in August of 2012, '11  
3 or shortly thereafter did Apollo Diamond Inc.  
4 shareholders not get warrants?

5           A     I think what happened is a letter -- an  
6 indication of interest letter was sent out to verify  
7 that people were -- that the blue sky stuff was  
8 correctly done. That they wanted to invest  
9 potentially in public Scio. That they expressed  
10 interest in investing or that they would express  
11 interest. I think we ran FINCEN and OFAC maybe  
12 against some of the names that -- I don't remember  
13 if it was about all of the names. Just to make sure  
14 there wasn't a problem with someone. And then,  
15 yeah, and that is kind of -- I remember it being,  
16 okay. Then there was discussion about well, is the  
17 appropriate point to do it when we complete the  
18 transaction with Apollo Diamond Gemstone. And I  
19 think that is when other counsel weighed in and  
20 said --

21          Q     Wait.

22               MR. SIKORA: So you are sneaking in there.  
23 You got to remember if you are talking about -- that is  
24 what is privilege and that is what you have to stay  
25 away from. Thank you by the way, SEC, for catching



1 these things as well.

2 BY MR. SHANK

3 Q Who was involved in those initial  
4 discussions about waiting until the Asset Purchase  
5 Agreement with Apollo Diamond Gemstone was executed?

6 A It would have been Lancia. So me -- I  
7 think -- and I don't remember when that was  
8 discussed. I know there is communication between my  
9 associates and Zouvas on this issue.

10 Q Did you have any opinions as of the fall  
11 of 2011 whether those warrants should be issued to  
12 Apollo Diamond, Inc. shareholders?

13 A I think I had an opinion that we needed to  
14 do -- I think it was in the PPM. And I had an  
15 opinion that we should ask Zouvas about what's the  
16 appropriate -- when do we disclose this or do this.

17 Q As of the fall of 2011, to your knowledge,  
18 had there been any public disclosure of those  
19 warrants rights to public Scio shareholders?

20 MR. KOPECKY: I think you throw in the word  
21 "rights" brings us back to -- I believe he testified  
22 there were no rights. I'm getting thrown on that.

23 THE WITNESS: 2012. I know that Lancia sent  
24 out a letter, I think, in September of 2011, maybe.

25 BY MR. SHANK